

SCHOOL FINANCE FORMULA REVIEW COMMITTEE

MEMBERSHIP

Senator Herman Quirmbach, Temporary
Co-chairperson
Senator Tod Bowman
Senator David Johnson
Senator Brian Schoenjahn
Senator Amy Sinclair

Representative Ron Jorgensen,
Temporary Co-chairperson
Representative Cecil Dolecheck
Representative Greg Forristall
Representative Patti Ruff
Representative Cindy Winckler

School Finance Formula Review Committee Background

Michael Duster, Legal Services Division, Legislative Services Agency

During the 2000 legislative session, Senate File 2252 enacted a requirement that the provisions of Iowa Code chapter 257 be subject to review at least every five years by a legislative interim committee.¹ A status report containing recommendations of the legislative interim committee, prepared with the assistance of the Department of Education in association with the Department of Management and the Department of Revenue, is required to be submitted to the General Assembly. The first report was required to be submitted by January 1, 2005 with subsequent reports to be submitted every fifth year thereafter. The report is to include recommendations for school finance formula changes or revisions based upon demographic changes, enrollment trends, and property tax valuation fluctuations observed during the preceding five-year interval, an analysis of the operation of the school finance formula during the preceding five-year interval, and a summary of issues that have arisen since the previous review and potential approaches for their resolution.

The first review by the School Finance Formula Review Committee (Committee) was conducted during the 2004 Legislative Interim, and the report was submitted by January 1, 2005.² A second review was conducted during the 2009 Legislative Interim, and the report was submitted by January 1, 2010.³

¹ Codified at Iowa Code § 257.1(4).

² Final Report, School Finance Formula Review Committee, available at <https://www.legis.iowa.gov/docs/publications/IP/21672.pdf>

³ Final Report, School Finance Formula Review Committee, available at <https://www.legis.iowa.gov/docs/publications/IP/12180.pdf>

2004 Interim School Finance Formula Review Committee:

Summary of Presentations: The Department of Education and the Department of Management provided a comprehensive review of the operation of the school finance formula and provided information on the transition of the budget guarantee provisions, the local option sales tax for school infrastructure, several of the additional funding levies available to school districts, and operations of the School Budget Review Committee. The Committee also received information on declining enrollment trends, increased numbers of students classified as English language learners, and the increased use of dropout and dropout prevention funding. Additional presentations to the Committee included community college sharing programs, school district transportation funding, special education services, and property tax valuations.

Recommendations: The Committee unanimously approved the following recommendations:

1. Increase the foundation level to 100 percent over the next seven years – consider tax increment financing (TIF) reform and adjusting the uniform levy.
2. Phase out, or require voter approval every 10 years for, seldom used levies.
3. Require the Department of Management to facilitate a dialogue to resolve TIF issues.
4. Provide state funding of up to 50 percent of district costs that exceed the statewide transportation average.
5. Remove barriers for partnerships between secondary and postsecondary institutions to increase opportunities for students (including barriers for usage of the Iowa Communications Network), and require school districts to publicize the Postsecondary Enrollment Options Act (Iowa Code chapter 261C).
6. Increase the state aid amount under the Instructional Support Program over multiple years, eventually building the amount into the school aid formula.

2009 Interim School Finance Formula Review Committee:

Summary of Presentations: The Department of Education and the Legislative Services Agency provided a comprehensive review of the basic operation of the school finance formula and provided information on the historical development of area education agencies and categorical funding programs. The Committee also heard presentations on school financing systems from other states, issues relating to the use of property taxes in school financing, and responsibilities of the School Budget Review Committee.

Recommendations: At the conclusion of the Committee's meeting and based upon the potential recommendations offered at the meeting, the co-chairpersons developed the following list of final recommendations and distributed the list by electronic mail to the Committee members:

1. Conduct an in-depth study regarding the effectiveness of the school finance formula, including all forms of supplementary weighting.
2. Recognize that until the state's economic condition improves, Iowa may not be in a position to make any significant changes or improvements to the education finance formula.
3. Exercise caution in formulating recommendations without sufficient information underlying them.
4. Evaluate the merit of continuing to provide supplementary weighting for a three-year period during which school districts merely consider the possibility of consolidating or merging.
5. Take every opportunity for collaboration and maximizing utilization of existing resources, including consortiums and regional academies.
6. Recommend that the next school finance interim committee review various financing options for school transportation needs.